



K mart's Tom Greenwood Says Chain Brought New Degree Of Price Competition To Memphis

By BRUCE SANKEY

Records, they say, are made to be broken.

But when the S. S. Kresge Company opened its first Memphis K mart store 14 months ago, the discount outlet set a company opening-day sales record that still stands. This, despite the opening of 117 more K marts in inflated 1974.

"I've never seen anything like it," says a still awed Thomas W. Greenwood, manager of the record-blazing K mart on Summer.

The opening was akin to movie scenes of New York City bargain basements at inventory clearance time. People clamored over the store and one another. When it finally let up, the normally neat store was a near disaster.

Demand exceeded the supply of shopping carts early, and people began dragging cardboard boxes and garbage cans loaded with merchandise. Sixteen cash registers were hard pressed to handle the onslaught and customers lined up to the back of the 90,000-square-foot store for checkout.

The company declines to reveal sales figures for the store opening, but one source said the one-day total approached \$250,000.

Things have slowed to a more reasonable pace since then, but in a year when business success stories became more difficult to find, the Memphis K mart saga stands out like a beacon.

In a year's time, the three K marts here have become a major force in Memphis retailing, driving at least two other discounters to the wall, and siphoning off business

from some of the city's long-established, big-name department stores.

"We're pleased with all three stores and plan to open more," said Greenwood.

A fourth store will open in April at Interstate 55 and Stateline Road in Southaven and, as many as four more stores are in the offing.

K mart's success is generally attributed to a four-pronged program that starts with careful market research and site selection and goes on to aggressive pricing and merchandising, strong customer service, and, finally, very intensive management training.

Greenwood seems to agree with that simplified analysis. "A lot of people have asked

why we didn't come to Memphis sooner," he said. The answer goes back to Kresge's strategy. "Memphis was researched very thoroughly," he said.

Kresge research apparently showed that a number of retailers in Memphis were vulnerable. "We're taking customers away from other discounters but mainly we're taking them from department stores," he said.

Greenwood said inflation also has forced consumers to change their buying habits, switching from department stores to discounters. They've become more price conscious, he said.

"Mr. Ford suggested they buy smart, and many people have found they get a better value at discount stores. Our

stores have generally done better in a slow economy," he said.

The store manager cites two other factors basic to the Kresge approach as contributing to the acceptance here: Pricing and customer satisfaction policies.

"Our policy is to have the lowest prices. Other chains have that policy too, but we do it. We're constantly checking the competition. We will beat any price at our competition, or meet any price on merchandise they are selling at a loss."

The store manager even claims that K mart's entry into the Memphis market has had some ameliorating effect on general merchandise price inflation here.

Other discounters, he says, have become much more price competitive, taking lower profit margins to battle with K mart. "There has been a big change in every price here," he said.

January sales, even with recession, are slightly ahead of last year, Greenwood said. But they see definite softening of sales.

"The next two months will be telling. Then we get into

the Easter season and things should pick up."

But even with the uncertainties of the next few months, K mart doesn't plan to pull in its horns — it will remain aggressive.

"In slack periods we don't cut advertising," said Greenwood. "You've got to have advertising to get the people in. And if you don't get the people in, volume drops."

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Bond Business 'Excellent' In Strong Market Week

Without exception, Memphis municipal bond dealers said that last week provided excellent business, particularly retail, and a very strong market.

Several developments had a psychological effect on the market, they said. Among them were another downturn in the prime rate, a sharp decrease in business loans at New York City banks, and a lowering reserve requirements for banks.

Bond Buyer's 20-bond average moved to 6.59 points from the week earlier 6.90. When the average drops, the market rises, and vice versa.

One dealer emphasized, however, that the tax-ex-

empt bond market was considerably stronger than the average indicated.

"It certainly didn't clearly reflect the strength of the market," he said.

New offerings last week totaled \$335.256 million, of which \$280.081 million were sold, for an 83.5 per cent placement ratio. Coming this week are \$332.5 million in new bonds, with the AAA-rated State of California \$90 million general obligation bonds considered a good market gauge.

Headlining Mid-South new issues were Metropolitan Nashville-Davidson County, Tenn. \$61.19 million general obligation bonds. A. S. Hart & Co. was in the buying group that paid a 5.69 net interest cost. Reoffering was at 4.10 in 1976 out to 6.80 in 1989. By noon Friday, more than \$50 million had been sold, largely in wholesale dealings, said bond firms.

UMIC, Inc. managed the account that won Bullitt County, Ky. \$1.65 million school building revenue bonds on a 6.40 bid. Scaled from 5 per cent in 1976 out to 6.50 in 1993, the bonds were about 75 per cent sold at the weekend.

U.S. Retailers Approaching Spring Buying Warily

By ISADORE BARMASH

The New York Times News Service

NEW YORK, Jan. 25. — "We're hoping for a couple of percentage points to gain in sales this spring," says Richard Roth, a retailer from La Porte, Ind. "But we're gearing our business for a 10 per cent decline and cutting our inventories to suit."

If this strategy is paradoxical, Roth is hardly alone in pursuing it. In the next 90 days or so, many American retailers will be buying new goods cautiously as if they expect a sales decline, although they will be hoping for an increase.

This is sharp departure from the retailing rule that you can't sell goods from an empty wagon. There are two reasons for it, both resulting from high inventories at the end of last year. Wholesalers' prices are softening, and

more supplies are available than before.

Typical retailers do not expect much increase in sales this spring as a result of the proposed federal income tax cut. Much of the tax rebate and reduced withholding, they feel, will wind up as savings or to go to pay off existing debt.

Jack Nagle, general merchandise manager of Rothschild's, a department store in Ithaca, N.Y., believes that money from the tax cut will be used to buy necessities, rather than luxuries. "But what's a necessity and what's a luxury today?" he asked. "A car and a TV set are necessities. Depending on how big and how widespread the tax break is, it might help our business at that."

A careful approach is suggested by another veteran retailer, Al Berk, general manager of Hutner's, a spe-

cialty store in Fort Wayne, Ind. He said he suspected that the expected higher gasoline prices and fuel conservation measures may hurt suburban stores by keeping shoppers closer to home, as they did during the energy crisis last winter.

"Clothing values look better to me than in a long time, and the supply possibilities are there if we want them," Berk said. "But, so far as our store is concerned, we have to guard at this time against becoming too promotional."

He emphasized a direct relationship between bad economic news and retail sales. "When Fort Wayne papers carried stories about layoffs at Magnavox and International Harvester," he recalled, "we got a flurry of cancellations by customers who had put up layaway deposits on coats."

Berk, Nagle, Roth and

other retailers were interviewed recently at the offices of Independent Retailers Syndicate, a New York City buying office.

Roth, executive vice president of Levine's, a specialty store in La Porte, said he expected spring sales to be difficult because of consumer hesitancy. However, he thinks women will revert to their forthright shopping habits later this year. "Women naturally like to shop for new clothes and buy," he said.

Hugo Kahn, executive vice president of the Krauss Co., a New Orleans department store, said that for the first time in years leading producers of women's clothing were not increasing prices for the coming season. "We extended ourselves last season to buy goods to beat higher prices," he said. Most retailers said that prices of women's apparel

were coming down, as much as 10 or 15 per cent from last year's levels.

"It is obvious that the public wants lower prices," said Nagle. "We retailers will have to give up, at least temporarily, on our 'key-stoning' (charging twice the wholesale price), even though it will reduce profit margins — as long as it will bring traffic into the store.

Taking Stock—

Dow Gains; Memphis Issues Lag

While some bullish economic news pushed the Dow Jones industrial average to a near 22-point gain this past week, only a handful of Memphis issues showed any life.

The week served to point out the dichotomy of the market. While there was increased institutional purchasing, especially of some of the depressed Blue Chips, most other issues were little changed. And the OTC market for local stocks was dead. (See table.)

Drug stocks assumed a somewhat more favorable stance with Schering-Plough one of the beneficiaries in

New York Stock Exchange trading.

Schering-Plough posted a 2½-point upswing. That left the stock at 48½ and contrasted with the previous week's 3½ loss.

Continuing strong, Conwood Corp. (NYSE) added 1½ to 23½, which came on top of its one-point advance a week earlier.

Malone & Hyde, Inc. (NYSE), which had been generally higher, dropped ½ to 18½. The Memphis food distributor made its first appearance in the most actively traded stocks Wednesday.

A total of 145,300 shares changed hands, as the stock was seventh most active. Included was a block of more than 143,000 shares, indicating institutional trading.

Motel stocks were traded rather heavily Friday, and Holiday Inns, Inc. finished with a ½ gain to 6½ and its large franchise holder, United Inns, Inc., ended Friday at 2½, up ¼ for the week.

First Tennessee National Corporation's fourth quarter earnings plunge (7 cents in 1974's fourth quarter versus 37 cents a year ago) hardly caused a ripple when announced Monday.

The market had been expecting the big bank holding company to bite the bullet in the last quarter, and it was right. First Tennessee announced it had charged off \$3.1 million worth of bad loans during the final three months of 1974.

The parent company of First National Bank here also said it increased its reserve for possible loan losses during the year by \$7.5 million, which is \$1.4 million above the minimum provision required by banking regulators.

This was done as a prudent move to place the company in a better position

to face the economic uncertainties of 1975, a spokesman said.

First Tennessee finished the week unchanged.

How Memphis Stocks Did Last Week

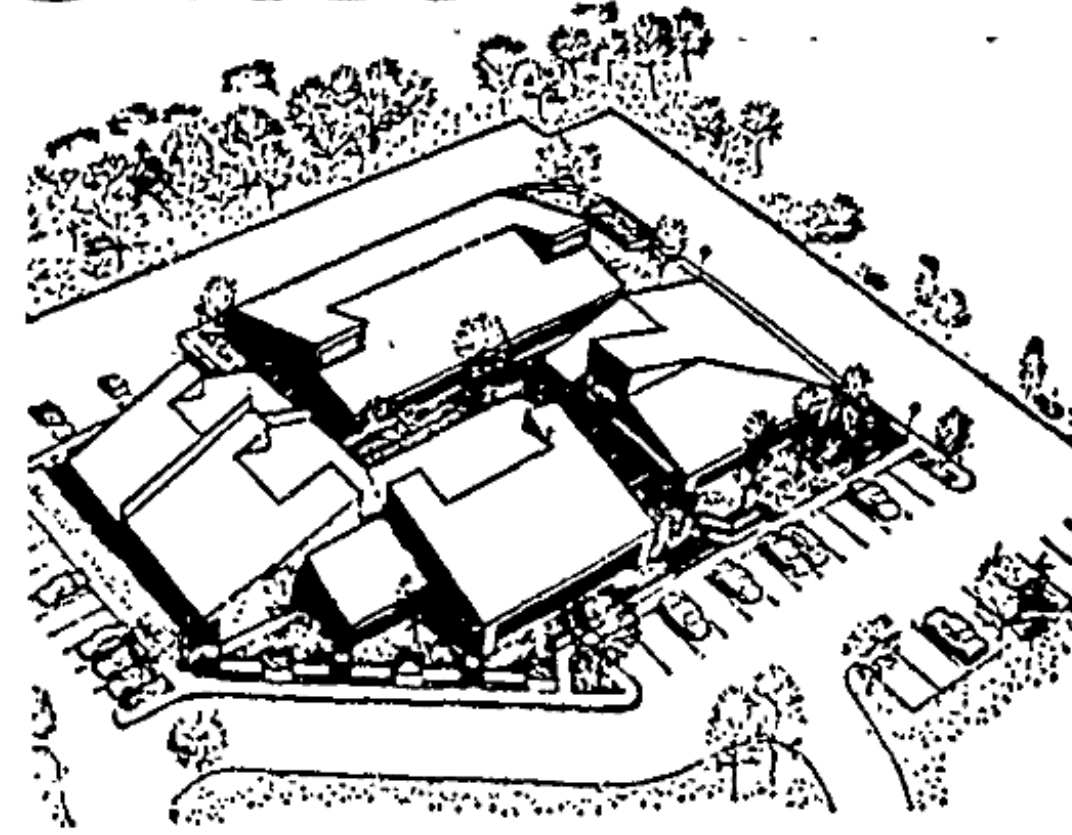
NEW YORK STOCK EXCHANGE									
Yrly.	Yrly.		Wkly.	Wkly.	Wkly.	Wkly.	Wkly.	Wkly.	Wkly.
High	Low	1974-75	Sales	High	Low	Close	Chg.		
28	19½	Conwood 2.00	31	23½	22¼	23½	+1½		
18	9	Federal Co. 1.00	69	11½	11¼	11½	+ ¼		
18½	4¼	Holiday Inns .32	1,133	7	6½	6½	+ ¼		
26½	13	Mal & Hyde .44b	1,544	18½	17¼	18½	+ ¾		
75½	41½	Sch'g-Plough .80	1,579	46½	44½	48½	+2½		
8½	1¼	United Inns .10	46	2½	2¼	2½	+ ¼		
AMERICAN STOCK EXCHANGE									
Yrly.	Yrly.		Div.	Wkly.	Wkly.	Wkly.	Net		
High	Low	Rate	high	low	cls.	chg.			
14½	9½	Cook Ind. .40	45	11¼	10½	10½	- ¼		
2½	1½	United Foods	73	1½	1½	1½	- ¼		
21½	5½	Valmac .60a	20	7½	7½	7½	- ¼		

a—Also extra; b—Annual rate plus stock dividend.

OVER-THE-COUNTER STOCKS									
Yrly.	Yrly.		Div.	Wkly.	Wkly.	Wkly.	Net		
High	Low	Rate	high	low	cls.	chg.			
¾	1 16	Alodex	11	17½	17½	17½	unch		
4	17½	Wm. Bond, Inc.	11	17½	17½	17½	unch		
3	1	Burk Hall Paint	1	1	1	1	unch		
10½	3	Crumph, E.H.	20	4½	4½	4½	+½		
7½	3½	Distribuco	5¼	5¼	5¼	5¼	unch		
21½	6½	1st Tenn	44	8½	8½	8½	unch		
17½	3	1st Memphis Realty Trust	48	4½	4½	4½	unch		
1	1 16	SBI	48	4½	4½	4½	unch		
3½	2	WTS	12	2½	2½	2½	-½		
2½	1¼	Guardsmark	12	2½	2½	2½	-½		
9½	7½	Medicenters	33	7½	7½	7½	unch		
17	9	Memphis Trust	33	7½	7½	7½	unch		
13½	¼	Morrison's	14	12½	13½	13½	+½		
14½	6½	Perkins Foods	32	6½	6½	6½	unch		
2½	1½	Piper, Ind.	12	2½	2½	2½	unch		
5½	¼	Raiford's	12	2½	2½	2½	unch		
17½	13½	Scottish Inns	140	15½	15½	15½	+½		
17½	1	Scripps-Hov. Brd.	140	15½	15½	15½	+½		
5½	2¾	Servico	12	2½	2½	2½	unch		
21½	6½	Southern Airways	69	10	10	10	unch		
4	1½	Union Planters Cp.	69	1½	1½	1½	unch		
6	3½	Union Service	28	4½	4½	4½	unch		
13	4	UT Bank	28	5¼	5¼	5¼	-¼		

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